

# **Genesee County Road Commission**

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**Federal Awards  
Supplemental Information  
September 30, 2007**

# Genesee County Road Commission

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## Independent Auditor's Report

To the Board of Commissioners  
Genesee County Road Commission

We have audited the financial statements of the governmental activities and the major fund of the Genesee County Road Commission, a component unit of Genesee County, as of September 30, 2007 and for the year then ended, which collectively comprise Genesee County Road Commission's basic financial statements, and have issued our report thereon dated March 28, 2008. Those basic financial statements are the responsibility of the management of the Genesee County Road Commission. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Genesee County Road Commission's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

March 28, 2008

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Board of Commissioners  
Genesee County Road Commission

We have audited the financial statements of the governmental activities and the major fund of the Genesee County Road Commission as of and for the year ended September 30, 2007, which collectively comprise Genesee County Road Commission's basic financial statements, and have issued our report thereon dated March 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Genesee County Road Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Genesee County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Genesee County Road Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 07-01 through 07-02 to be significant deficiencies in internal control over financial reporting.

To the Board of Commissioners  
Genesee County Road Commission

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the deficiencies described in the Schedule of Findings and Questioned Costs as items 07-03 constitute material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Genesee County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Genesee County Road Commission's response to the significant deficiencies and other matters identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board, and the federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

March 28, 2008

Report on Compliance with Requirements Applicable to Each  
Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133

To the Board of Commissioners  
Genesee County Road Commission

## Compliance

We have audited the compliance of the Genesee County Road Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The major federal programs of the Genesee County Road Commission are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Genesee County Road Commission's management. Our responsibility is to express an opinion on Genesee County Road Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Genesee County Road Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Genesee County Road Commission's compliance with those requirements.

In our opinion, the Genesee County Road Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

## **Internal Control Over Compliance**

The management of the Genesee County Road Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Genesee County Road Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board, and the federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

June 20, 2008

# Genesee County Road Commission

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2007

<u>Federal Agency/Pass-through Agency Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Pass through State of Michigan:		
Highway Planning & Construction	20.205	\$ 872,842



# **Genesee County Road Commission**

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2007**

### **Note I - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Genesee County Road Commission and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# Genesee County Road Commission

## Schedule of Findings and Questioned Costs Year Ended September 30, 2007

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program(s):

Highway Planning & Construction 20.205

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee? ☐ Yes ☒ No

# Genesee County Road Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

### Section II - Financial Statement Audit Findings

Reference Number	Findings
07-01	<p><b>General Bank Reconciliations</b></p> <p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> – Bank reconciliations should be performed on timely basis.</p> <p><b>Condition</b> - Bank reconciliations were not performed on a timely basis.</p> <p><b>Context</b> - The General Bank reconciliations were not prepared timely for the entire year (12 months).</p> <p><b>Effect</b> - The cash balance information provided to board of commissioners may not be accurate.</p> <p><b>Cause</b> - There were significant staff shortages in the Finance Department.</p> <p><b>Recommendation</b> - The bank reconciliations should be performed within a reasonable period after bank statements are received from the bank.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Management agrees with the finding and the recommendation. The Road Commission will continue to identify professional financial staffing resources including the possibility of hiring of an outside contractor to assist in these areas.</p>

# Genesee County Road Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
07-02	<p><b>Road Project Final Accounting Procedures</b></p> <p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - The final costs should be assessed on the projects and final billings for the projects should be sent in a reasonable period after completion of the project.</p> <p><b>Condition</b> - Final billings for projects were not sent out timely.</p> <p><b>Context</b> - The commission does not have a process in place to send a final bill when the project is complete.</p> <p><b>Effect</b> - Collection of revenue may not match the period of the expense</p> <p><b>Cause</b> - Problems occurred as a result of MDOT's migration from a manual submission system to an electronic submission system.</p> <p><b>Recommendation</b> - We suggest the commission put a process in place to assure that the final billings are sent out on a timely basis.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Management agrees with the finding and the recommendation. The Road Commission has increased communication amongst the staff responsible for the preparation and monitoring of billings. In addition, the elimination of manual billings will result in a timely processing and evaluation of outstanding billings.</p>

# Genesee County Road Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
07-03	<p><b>Year End Closing Procedures</b></p> <p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Year end close process should be within a reasonable time after year end.</p> <p><b>Condition</b> - The commission did not perform year end close until five and half months after year end.</p> <p><b>Context</b> - Year end procedures not performed within reasonable time after year end.</p> <p><b>Effect</b> - The next year accounting records are not timely updated in the system.</p> <p><b>Cause</b> - Bank reconciliations not being prepared timely and final billing were not reconciled timely.</p> <p><b>Recommendation</b> - We suggest that time frames for year end close process be set.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Management agrees with the finding and the recommendation. The Road Commission has undertaken action to correct the bank reconciliation and final billing process which led to year end close not being done timely. The correction of these issues will result in a timely closing of all financial records. In addition, new time schedules have been developed for the 2008 fiscal year.</p>

# **Genesee County Road Commission**

## **Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2007**

### **Section III - Federal Program Audit Findings**

<u>Reference Number</u>	<u>Findings</u>
None	